

# Employer-Sponsored Insurance Pilot Program

Submitted to the Centers for Medicare and Medicaid Services  
Anthony Rodgers, AHCCCS Director  
June 9, 2004

# Employer Sponsored Insurance Pilot Program

## Overview

In response to the Terms and Conditions of the HIFA II Waiver, the Arizona Health Care Cost Containment System (AHCCCS) will implement an Employer-Sponsored Insurance (ESI) pilot program. Under this two-year pilot, AHCCCS will provide premium subsidies for the purchase of employer sponsored health insurance for SCHIP eligible families.

The basic parameters of the ESI pilot program are:

- The pilot will be implemented in July 2004 in two rural Arizona counties – Yavapai and Yuma (see Attachment A for rationale).
- The number of people in the pilot will be limited by the availability of state HIFA II matching funds for parents. The Arizona legislature repealed the HIFA II parent group effective July 1, 2004. If the pending legislation to re-establish the HIFA II group is not approved by the legislature, the ESI pilot will not be implemented.
- No additional benefits (e.g. wraparound coverage) will be provided to families enrolled in the ESI program.
- ESI eligible families would not be required to pay an additional premium if they opt to enroll in ESI as opposed to AHCCCS (See Attachment B). ESI eligible families will, however, pay any cost sharing (e.g., deductibles, co-payments) required by their employer-sponsored plan. Out-of-pocket expenses will not be capped at the 5% threshold required by the SCHIP program.

## General Program Design

### Eligible Population

The population eligible for the ESI pilot program will be SCHIP eligible families who have a household income between 100 to 200 % of FPL and who have access to qualified employer sponsored insurance coverage in the pilot counties.

Persons who are employed at a business located in a pilot county but who reside in another county, will be eligible for the pilot assuming there is an available provider network in their county of residence. A three-month “bare” period will be imposed on new applicants in order to meet SCHIP eligibility requirements, but no “bare” period will be imposed if ESI is terminated and the family applies for SCHIP coverage.

### Qualified Employer-Sponsored Coverage

Qualified employer sponsored insurance will include coverage provided through Healthcare Group of Arizona (HCG) or through any other commercial group package offered by the employer. The commercial group coverage must include a basic primary care package (e.g., health care services customarily furnished by and through a general practitioner, family physician, pediatrician) offering the following services:

- Inpatient hospital services
- Outpatient services (including immunizations for children)

- Physician's surgical and medical Services
- Laboratory and X-ray services
- Pharmacy services.
- (Note: behavioral health services, dental and vision services and non-emergency transportation coverage would not be a mandatory service)

In addition to group coverage, coverage under HCG will also include parents that are either self-employed and enrolled or willing to enroll in HCG.

All employer sponsored health care coverage (including HCG) must meet the following requirements:

- The employer must contribute at least 50% toward the cost of the premium for employee coverage and 30% toward the cost of the premium for dependent coverage. Eligible persons who are self-employed and who are willing to purchase health coverage through HCG would be expected to pay 50% toward the cost of the individual premium or 30% toward the premium for dependent coverage.
- Cost effectiveness will be demonstrated on a case-by-case basis. The threshold will be the cost to AHCCCS for the monthly ESI premium compared with the monthly capitation payment for an individual and dependents, if applicable. In order to be cost effective, the ESI coverage must be equal to or less than what AHCCCS would pay in monthly capitation payments.

## Enrollment Requirements

Eligibility determination for ESI will be:

- Completed as part of the AHCCCS application process in the two pilot counties. For potentially eligible SCHIP families, information will be obtained from their employer about available employer health care coverage. If employer sponsored health care coverage is available, the option of enrolling in ESI will be explained to the applicant. For SCHIP families that are currently enrolled in AHCCCS, a letter will be sent explaining the ESI option.
- Annual re-determinations, unless the enrollee is no longer eligible for ESI prior to the end of the 12-month period.

For those who meet the ESI eligibility requirements, enrollment into the ESI program will:

- Be optional for all SCHIP eligible parents and their SCHIP eligible or Medicaid eligible children. If the eligible family already has SCHIP or Medicaid eligible children enrolled in AHCCCS, parents will be given the option to disenroll their children from the AHCCCS health plan and enroll as a family unit in ESI.
- Include a 12 month lock-in. The following are exceptions to the 12 month lock-in period:

The person is no longer employed by a company offering coverage (e.g., leaves employment, laid off or retires, employer drops coverage);

The parameters of the employer plan change so it no longer meets the employer sponsored coverage requirements or creates undue financial hardship for the family (e.g., increase in deductible, copayments);

A family member becomes Title XIX eligible and opts to enroll into Medicaid;

The person no longer lives in the pilot county;

The person wants to disenroll from the ESI Pilot; or

The ESI program is no longer an available option under AHCCCS.

Even though a person may terminate enrollment from the ESI program, AHCCCS cannot control whether or not the commercial insurance can be terminated outside of open enrollment. Applicants will be educated when making the decision to enroll in the ESI program that AHCCCS will not reimburse the employee's portion of the premium for commercial insurance for the same time period that a person is enrolled in an AHCCCS health plan.

- Persons will be disenrolled from the ESI pilot if the person:
  - Becomes ineligible for AHCCCS;
  - Fails to provide verification of employer coverage; or
  - Knowingly misrepresents themselves or fails to reports certain changes in employer sponsored coverage status. If AHCCCS inappropriately pays a premium subsidy to a person enrolled in ESI, the individual must repay the amount before becoming eligible for SCHIP.

Employers will be encouraged to waive "waiting periods" by making ESI eligibility a qualifying event and allowing an eligible ESI family to immediately enroll in the employer-sponsored health plan. If the applicant does not want to wait for the employer's open enrollment period, the individual can apply for Medicaid/SCHIP coverage.

### Premium Subsidy Payments

For those enrolled in the ESI pilot, AHCCCS will directly reimburse the ESI enrollee for premium costs not paid by the employer by sending the payment directly to the eligible ESI enrollee.

ESI enrollees who are not covered under HCG will be required to submit pay stubs (or an attestation from employer) every six months to show that their share of the health care coverage premium was deducted from their paycheck. (Note: Under HCG, employers are required to notify AHCCCS when an employee is no longer covered.)

### Pilot Evaluation

There will be an evaluation component, including an interim evaluation at the end of the first year of the pilot, to determine if the pilot has been cost effective. The evaluation will consider 1) the aggregate costs for enrollees in the ESI program for private health insurance coverage as opposed to the costs that would have been incurred if they had been enrolled with an AHCCCS health plan, and 2) changes in employer contribution levels.

Data elements to be collected and reported on include premium costs (enrollee share and state subsidy), subsidy costs and employer contributions.

## Attachment A: Selection of Pilot Counties

### Proposal

The Employer-Sponsored Insurance (ESI) pilot program will be implemented on a pilot basis in both Yavapai and Yuma counties.

### Background

In order to have a manageable size pilot program that would not require major system changes, AHCCCS has advised the Center for Medicare and Medicaid Services of the state's intent to pilot the ESI program in one of Arizona's 13 rural counties. Since a key goal in implementing ESI was to enhance insurance coverage offered by small employers, AHCCCS wanted to ensure that Healthcare Group (HCG) was operating in the rural county selected for the pilot. This limited the potential counties for consideration to: Cochise, Coconino, Gila, Graham, Greenlee, Pinal Santa Cruz, Yuma and Yavapai.

In addition, Gila, Graham, Greenlee and Santa Cruz County were eliminated as possible candidates for the ESI pilot program due to their low population. For the remaining 5 counties employment, demographic and AHCCCS enrollment data was compiled and analyzed (see attached table).

### Selection of Pilot County

After reviewing the employment, demographic and AHCCCS enrollment data, the decision was made to pilot the ESI program in both Yavapai County and Yuma County. It is believed that by including these two counties in the ESI pilot program AHCCCS will be able to enroll a sufficient number of participants to make the pilot feasible.

The reason for this recommendation was the fact that both counties:

- Are of reasonable size in terms of a population base from which ESI eligibles can be drawn.
- Have Healthcare Group being offered as a health insurance product to small group employers in the county.
- Have major employers such as Wal-Mart, APS, Home Depot, and regional hospitals with whom AHCCCS could work directly with in terms of identifying potential program eligibles.
- Are relatively isolated in terms of residents working within the county as oppose to commuting into Phoenix or Tucson which occurs in Pinal or western Cochise County. This relative isolation would make it easier for AHCCCS to target its outreach to employer groups who employ residents of those counties.

In addition Yavapai and Yuma County represent two very different areas of the State and have unique characteristics that make both of them appealing as pilot counties. These factors include:

- Yuma County, as a border county, has a much higher percentage of Hispanics (50.5%) in contrast to Yavapai County (9.8%); thereby allowing AHCCCS to better understand the acceptance of the ESI program by different cultural groups.
- Yavapai County has one of the lowest unemployment rates; increasing the likelihood that AHCCCS eligibles would be employed and potentially have employer sponsored insurance. Yavapai also has a higher proportion of small size employers than the other counties.
- While Yuma County has a high unemployment rate, it does have 24 large employers (over 500 employees). Not only do larger employers generally tend to offer insurance coverage to their

employees, but other states have found inclusion of these larger employers essential for increasing the numbers enrolled in their ESI programs.

Some of the factors that made Cochise, Coconino and Pinal County less appealing as pilot sites were:

- Government is one of the major employers in Cochise County (30% of all employees). While government is also a major employer in Yuma County, it represents only 17% of employees. Under SCHIP regulations, state employees are not eligible for KidsCare.
- Coconino has a large Native American population who is eligible for enrollment in IHS and as such is not subject to the same cost sharing requirements applied to the rest of the state's SCHIP eligible population.
- Pinal County serves as a connecting corridor between Arizona's two major metropolitan areas and thus many of its residents work in either Maricopa or Pima County. This makes outreaching to employer groups more difficult.

## COMPARISON OF ARIZONA COUNTIES FOR ESI PILOT PROGRAM

	State of Arizona	Cochise County	Coconino County	Pinal County	Yavapai County	Yuma County
<b>Employment Data</b>						
# in labor force (DES-8/03)	2,664,700	46,190	66,250	75,314	82,000	71,825
Average % unemployed (DES-8/03)	5.9%	5.6%	6.7%	6.9%	3.4%	25.1%
▪ Hispanic (DES-estimate 2003)	(8.7%)	(7.6%)	(5.1%)	(5.0%)	(3.8%)	(37.2%)
# of establishments (DES-4th quarter 2002)	123,748	2,176	3,305	2,234	4,912	2,766
# of firms from 1 to 49 employees (DES-12/01)	94,361 (93%)	1,751 (93.5%)	2,670 (94.1%)	1,771 (94.2%)	3,861 (96.1%)	2,174 (90.9%)
# firms with 500 or more employees (DES-12/01)	505	8	8	10	0	24
Average annual salary (based on average weekly for 4th quarter 2002 - DES)	\$35,516	\$29,900	\$28,860	\$29,484	\$26,988	\$23,244
Three major types of industry by # firms (DES 4th quarter 2001)	<ul style="list-style-type: none"> <li>▪ Services</li> <li>▪ Retail trade</li> <li>▪ Construction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Services</li> <li>▪ Retail trade</li> <li>▪ Construction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Services</li> <li>▪ Retail trade</li> <li>▪ Construction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Retail trade</li> <li>▪ Wholesale trade</li> <li>▪ Services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Services</li> <li>▪ Retail trade</li> <li>▪ Construction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Services</li> <li>▪ Retail trade</li> <li>▪ Construction</li> </ul>
Three major types of industry by # employees (DES 4th quarter 2001)	<ul style="list-style-type: none"> <li>▪ Services</li> <li>▪ Retail trade</li> <li>▪ Government</li> </ul>	<ul style="list-style-type: none"> <li>▪ Government</li> <li>▪ Services</li> <li>▪ Retail trade</li> </ul>	<ul style="list-style-type: none"> <li>▪ Services</li> <li>▪ Government</li> <li>▪ Retail trade</li> </ul>	<ul style="list-style-type: none"> <li>▪ Government</li> <li>▪ Services</li> <li>▪ Retail trade</li> </ul>	<ul style="list-style-type: none"> <li>▪ Services</li> <li>▪ Retail trade</li> <li>▪ Government</li> </ul>	<ul style="list-style-type: none"> <li>▪ Government</li> <li>▪ Services</li> <li>▪ Retail trade</li> </ul>
Major Employers (Dept of Commerce 2003)		Federal (army base), state (prison), county and city government and school districts Aegis Community. SV Regional Hospital	Federal (forest), county, city, ,state (NAU) government and school district Navajo Nation Nestle Purina Flagstaff Regional Medical	State (prison), city and school district Food stores, Wal-Mart, Outlets Casa Grande Regional Medical Frito Lay	Federal (VA and forest service) county, city and school district APS Ace, Target, Wal-Mart, Costco	Federal (air force base), state, county and city government and school districts APS Alexander Automotive Barkley Farms

## COMPARISON OF ARIZONA COUNTIES FOR ESI PILOT PROGRAM

	State of Arizona	Cochise County	Coconino County	Pinal County	Yavapai County	Yuma county
Major Employers (Dept of Commerce 2003) (con't)		Wal-Mart New Tech TRW Ilex Food stores Sierra Southwest Etc.	Gore and Associates Wal-Marts Walgreen Distribution Purina Petcare SCATissue Etc.	Evergreen Air Center Abbott Labs Casino/Indian Reservation Hexcel Corp Westile Roofing Mayville Metals Correction Corp. Etc.	Yavapai Regional Medical, Verde Valley, The Arbors, WYGC Los Abrigados, Enchantment, Prescott Resort, Double Tree Caradon Better Bilt Bagdad Copper Exsil, Inc Phoenix & Sons Cement Wulfsberg Electronics Etc.	Home Depot/Lowe's Dole Corp, Mission Citrus, Grower's Co Sears, Penny's, Sam's Club, Wal-Mart, Target Direct Marketing Western Newspaper, The Sun Yuma Regional Medical, Life Care Center Etc.
<b>Demographics (2000 US Census)</b>						
Families below poverty in 1999	128,318 (9.9%)	4,195 (13.5%)	3,549 (13.1%)	5,486 (12.1%)	3,703 (7.9%)	6,490 (15.5%)
# population under 100% FPL	698,669 (13.9%)	19,772 (17.7%)	20,609 (18.2%)	27,816 (16.9%)	19,552 (12%)	29,670 (19%)
# population between 100 to 200% FPL.	982,207 (19.6%)	25,852 (23%)	23,698 (21%)	36,919 (22.4%)	36,170 (22.1%)	41,762 (27.1%)
% Hispanic	25.3%	30.7%	10.9%	29.9%	9.8%	50.5%
<b>AHCCCS Enrollment (9/2003)</b>						
Acute Care Enrollment: ▪ APIPA ▪ Mercy Care ▪ Community Connections		▪ 14,738 ▪ 8,294 ▪ ---	▪ 10,712 ▪ 5,085 ▪ ---	▪ --- ▪ 14,166 ▪ 12,119	▪ 12,703 ▪ 10,701 ▪ ---	▪ 27,109 ▪ 11,672 ▪ ---



## COMPARISON OF ARIZONA COUNTIES FOR ESI PILOT PROGRAM

	State of Arizona	Cochise County	Coconino County	Pinal County	Yavapai County	Yuma county
KidsCare <ul style="list-style-type: none"> <li>▪ APIPA</li> <li>▪ Mercy Care</li> <li>▪ Community Connection</li> </ul>		KidsCare <ul style="list-style-type: none"> <li>▪ 648</li> <li>▪ 288</li> <li>▪ ---</li> </ul>	KidsCare <ul style="list-style-type: none"> <li>▪ 625</li> <li>▪ 320</li> <li>▪ ---</li> </ul>	KidsCare <ul style="list-style-type: none"> <li>▪ ---</li> <li>▪ 784</li> <li>▪ 481</li> </ul>	KidsCare <ul style="list-style-type: none"> <li>▪ 1,040</li> <li>▪ 779</li> <li>▪ ---</li> </ul>	KidsCare <ul style="list-style-type: none"> <li>▪ 1,951</li> <li>▪ 541</li> <li>▪ ---</li> </ul>
HIFA Parents <ul style="list-style-type: none"> <li>▪ APIPA</li> <li>▪ Mercy Care</li> <li>▪ Community Connection</li> </ul>		HIFA Parents <ul style="list-style-type: none"> <li>▪ 205</li> <li>▪ 80</li> <li>▪ ---</li> </ul>	HIFA Parents <ul style="list-style-type: none"> <li>▪ 122</li> <li>▪ 64</li> <li>▪ ---</li> </ul>	HIFA Parents <ul style="list-style-type: none"> <li>▪ ---</li> <li>▪ 176</li> <li>▪ 58</li> </ul>	HIFA Parents <ul style="list-style-type: none"> <li>▪ 284</li> <li>▪ 185</li> <li>▪ ---</li> </ul>	HIFA Parents <ul style="list-style-type: none"> <li>▪ 411</li> <li>▪ 122</li> <li>▪ ---</li> </ul>
<b>Health Care Group Enrollment (9/2003)</b> <ul style="list-style-type: none"> <li>▪ Number of Groups</li> <li>▪ Number of Individuals</li> </ul>		UPI <ul style="list-style-type: none"> <li>▪ 527 groups</li> <li>▪ 2,244 individuals</li> </ul>	Mercy Care <ul style="list-style-type: none"> <li>▪ 81 groups</li> <li>▪ 242 individuals</li> </ul>	Mercy Care <ul style="list-style-type: none"> <li>▪ 37 groups</li> <li>▪ 86 individuals</li> </ul>	Mercy Care <ul style="list-style-type: none"> <li>▪ 105 groups</li> <li>▪ 318 individuals</li> </ul>	Mercy Care <ul style="list-style-type: none"> <li>▪ 52 groups</li> <li>▪ 258 individuals</li> </ul>
<b>Other Unique Characteristics</b>		30% of persons employed with government (army base)	38% of county is Indian reservation with 28.5% Native Americans	Commuting to jobs in Maricopa/Pima; State prison viewed as one of larger employers.		

## Attachment B: Annual Savings in Premiums if Enrolled in ESI

By not having to pay the premium to be enrolled in KidsCare, a family would effective July 1, 2004 save the following on an annual basis if they opted for enrollment in ESI. (Note: some of these savings would have to go to pay for any cost sharing required by the employer-sponsored plan.)

	<b>100 to 150% of FPL</b>	<b>150-175% of FPL</b>	<b>175-200% of FPL</b>
One parent, 1 child	\$300/year (\$25/month)	\$480/year (\$40/month)	\$600/year (\$50/month)
One parent, 2 or more children	\$360/year (\$30/month)	\$600/year (\$50/month)	\$660/year (\$55/month)
Two parents, 1 child	\$480/year (\$40/month)	\$720/year (\$60/month)	\$900/year (\$75/month)
Two parents, 2 or more children	\$540/year (\$45/month)	\$840/year (\$70/month)	\$1020/year (\$85/month)